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DEPARTMENT FOR AF/EPS DAVIDSON AND POTASH

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TAGS: [ETRD](#) [AGOA](#) [ECON](#) [CD](#)
SUBJECT: Chad input for 2008 Annual AGOA Report

Ref: State 020082

¶1. Post submits the following input for the 2008 President's Annual AGOA report. Paragraphs/topics are organized according to the report template and instructions.

Market Economy
/Economic Reform
/Elimination of Trade Barriers

¶2. Flows of foreign direct investment into Chad continued to concentrate almost entirely in the petroleum sector. Chad has a small formal sector and a large, thriving informal sector. Almost eighty percent of the population is involved in agriculture (subsistence farming, herding and fishing.) The state remains heavily involved in most economic sectors, and parastatal and party-affiliated companies continue to dominate trade and industry. Over the past decade, the Government of Chad has made some progress in privatizing state enterprises, eliminating price controls and liberalizing the economy. Although the government continues to express interest in encouraging foreign direct investment, investors report that the business climate could be significantly improved. Additionally, the active rebellion in eastern Chad and widespread corruption dampen Chad's economic prospects.

Trade Liberalization

¶3. (U) Chad has no discriminatory rules to deter foreign investors. As a member of CEMAC (the Central African Economic and Monetary Community) and a signatory to OHADA (the Organization for the Harmonization of African Business Law), Chad participates in regional efforts to standardize tax policies and commercial law, but limits investment in sectors deemed sensitive such as cotton, electricity production, and telecommunication in order to protect enterprises. Chad has made little progress in reducing impediments to investment such as weak infrastructure, chronic energy shortages, high-energy costs, scarcity of skilled labor, a high tax burden, and corruption.

Political Pluralism
/Rule of Law
/Anti-Corruption

¶4. The government of Chad continues to have a weak record on rule of law, political pluralism, and the safeguarding of due process rights. In May 2006, flawed Presidential elections were held and major political opposition groups did not participate. While the law provides for an independent judiciary, the judiciary remained weak and subject to significant political intervention. Corruption is universally acknowledged as one of the most serious problems in Chad.

Poverty Reduction

¶5. Chad remains one of the poorest countries in the world. Under an agreement with the World Bank for oil sector infrastructure financing, 70 percent of government revenue is to be allocated to poverty reduction and capacity building efforts. Expenditure on military spending continues to be high, reflecting threats from rebel groups based in Sudan. In early 2007, the International Monetary Fund (IMF) began a review of Chad's progress to receive debt relief under the Heavily Indebted Poor Country program. The IMF is also considering a renewal of Chad's Poverty Reduction and Growth Facility, which failed to take place in late 2005. Recent comments by the IMF in early 2008 noted concerns about Chad's deteriorating fiscal performance

Labor/Child Labor

¶6. Chadian law allows all employees except members of the armed forces to join or form unions of their choice without excessive requirements, and the government generally respects this right. Chad ratified ILO Convention 29 in 1969 and ILO Convention 105 in 1961. Unions may organize and bargain collectively; however, the law permits imprisonment with forced labor for participation in illegal strikes. The Chadian Government's efforts to combat the worst forms of child labor have been centered on laying the legal foundation to meet its commitments to international labor conventions aimed at protecting children. The government is also partnering with UNICEF on child protection activities.

Although the labor code stipulates that the minimum age for employment in the formal sector is 14, the government does not enforce the law. Few children have the opportunity for education beyond the primary level. An estimated 20 percent of children between the ages of six and 18 work in abusive, exploitive labor conditions in the urban informal sector as street vendors, manual laborers, domestic servants and helpers in small shops. Children throughout the country work in agriculture and herding. Chad has ratified ILO Convention 182, but a comprehensive executive decree harmonizing Chad's legal code with ILO 182 and 138 submitted to the Council of Ministers in 2005 has yet to be approved. Human rights problems include restrictions on freedom of the press; arrest, detention, and harassment of journalists for publishing articles critical of the government; restrictions on freedom of assembly; and limitations on freedom of association.

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